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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

May 3, 2006

The Honorable David M. Walker
Comptroller General of the United States
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Walker:

As you know, the Subcommittee on Federal Financial Management, Government Information and International Security is committed to examining the financial performance of every Federal agency. We recently held a hearing to assess the effectiveness of the Small Business Administration (SBA). We discovered that SBA collects very little information regarding the effectiveness and impact of its programs on our nation's economy. In order to conduct more thorough oversight of this agency, I request that GAO evaluate a few key items:

- The specific measures used by SBA to evaluate the impact of its programs and whether the measures are: quantifiable, outcome-based (rather than output-based), literature-supported, transparently reported, and appropriate to the agency's mission;
- The extent to which SBA business loan programs affect the competitive environment for and vitality of small business (both those that receive SBA assistance and those that do not), individuals who interact with small businesses, and the strength of the national economy, including measuring this economic impact using substantive indicators of economic growth and health;
- The current state of knowledge in the economics literature on the extent to which imperfections in the market for small business loans are present and the extent to which SBA business loan programs address possible market imperfections or other special economic needs in the marketplace; and
- The risk exposure of the American taxpayer due to SBA's programs.

I would like you to initially focus on SBA's 7(a) small business loan guarantee program, which is SBA's largest business loan program. I would also be interested in any assessment you may have of SBA's 504 loan program, a long-term financial tool for economic development which provides growing businesses with long-term financing for commercial real estate.

I look forward to working with you on this engagement. Please contact Chris Barkley of my Committee staff at 224-2254 to discuss this request.

Sincerely,



Tom Coburn, M.D.
Chairman
Subcommittee on Federal Financial Management,
Government Information and International Security